

TOWN OF RICHWOOD



ADVISORY SERVICES  
ISSUED NOVEMBER 7, 2012

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**ASSISTANT LEGISLATIVE AUDITOR**  
**FOR LOCAL AUDIT SERVICES**  
ALLEN F. BROWN, CPA, CFE

**DIRECTOR OF INVESTIGATIVE AUDIT**  
**AND ADVISORY SERVICES**  
ERIC SLOAN, CPA

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

November 7, 2012

The Honorable Alvin Jackson, Mayor  
Town of Richwood  
2710 Martin Luther King Drive  
Richwood, LA 71202

Dear Mayor Jackson:

At your request, my Advisory Services staff visited the Town of Richwood (Town) in August 2012 to assess its financial operations. The purpose of the assessment was to identify compliance and control deficiencies and to provide recommendations for improving operations.

My advisors have completed their assessment and this letter briefly summarizes the issues that were identified and discussed with you during their visit. This letter also provides two matters that needed more extensive explanation; therefore, we are providing you with more detailed information on them. One matter relates to possible noncompliance with a Town ordinance on the collection of video bingo fees, and the other is possible noncompliance with the Louisiana Code of Governmental Ethics. Our assessment was substantially less in scope than an audit.

We are sending a copy of this letter to the Town's auditor for consideration in the Town's June 30, 2012, audit. If you have any questions, please call Mike Battle or Steven Kraemer at 225-339-3800.

Sincerely,

A handwritten signature in blue ink, reading "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP:AFB:ESS:MGB:SMK:el:ch

TOWN OF RICHWOOD 2012

## Issues

The following is a brief summary of the issues that were identified and discussed:

1. Lack of Written Policies and Procedures
2. Lack of Compliance with Certain Provisions of the Local Government Budget Act [Louisiana Revised Statute (R.S.) 39:1301 *et. seq.*]
3. Lack of Financial Management:
  - Town's General Fund reports a negative fund balance (\$189,851) at June 30, 2011
  - Town records indicated approximately \$242,000 is owed in past due bills, including \$31,400 owed to Town auditor
  - No written strategic plan developed to help ensure that management operates within its available funding and maintains a reasonable fund balance
  - Audit finding regarding the Town's improper recording of transactions has not been corrected
  - Monthly financial statements for all Town funds, including budget-to-actual comparisons, not being prepared and presented to the council for review and discussion
  - Auditor not engaged to perform the Town's fiscal year ending June 30, 2012, audit [The Town's audit report must be submitted to the Legislative Auditor's Office by December 31, 2012, the statutory deadline (R.S. 24:513).]
  - Fidelity bond insurance coverage not maintained on all appropriate employees
  - No written plan developed for the Town's economic development program
4. Compliance and Controls Over Purchasing and Disbursements:
  - Duties not adequately segregated for a proper system of checks and balances
  - Supporting documentation not always available prior to paying bills, and management not always documenting its review and approval

- Possible noncompliance with the Public Bid Law (R.S. 38:2211 *et. seq.*) regarding fuel purchases
  - Adequate security not maintained over the supply of blank checks
5. Compliance and Controls Over Payroll:
- Duties not adequately segregated for a proper system of checks and balances
  - Attendance records (e.g., timecards) not always signed by both the employee and his/her supervisor
  - Leave request forms not always completed and approved
  - Compensation of certain municipal officers not set by ordinance as required by state law (R.S. 33:404.1)
  - Police chief and police officers not participating in the Municipal Police Employees Retirement System and no documentation on file that they chose to opt out of retirement system (R.S. 11:2214 and R.S. 11:157)
  - Personnel files not complete with documentation (e.g., authorized pay rates), not centrally located, and not safeguarded
  - Management not receiving a report of all changes made to payroll during the pay period (e.g., pay rate changes) for review and approval
6. Compliance and Controls Over Traffic Tickets:
- Duties not adequately segregated for a proper system of checks and balances
  - Police officers not always returning completed ticket books
  - Town Clerk not performing quarterly audit of the traffic ticket process [R.S. 32:398.3(B) and R.S. 33:422]
7. Controls Over Collections and Deposits:
- Building rents
  - Property taxes
  - Bank accounts not reconciled timely



### Other Matters

1. **The Town appears to be collecting a lower percentage of fees on video bingo profits than required.** Although Town ordinance #2005-09 provides for a 25% “tax” to be collected on certain video bingo profits, it appears that the Town is only collecting 20%. We were informed that the Town has been collecting 20% since at least 2008. According to Town staff, this 5% difference results in underpayments to the Town of approximately \$329,000 since December 2008.

Recommendation: Town Management should:

- Consult with legal counsel to determine if the Town is collecting the correct percentage of video bingo taxes/fees in accordance with the ordinance and, if not, to explore what options are available to pursue collection of the unpaid amount. We remind management that the Louisiana Constitution [Article VII, Section 14(A) of the Louisiana Constitution of 1974] generally prohibits the donation of municipal funds.
  - Ensure that future collections are calculated accurately and collected timely.
2. **On July 2, 2012, the Mayor hired the brother of a Town council member to be the Town’s Director of Economic Affairs, which may violate the nepotism provision of the Louisiana Code of Governmental Ethics.** R.S. 42:1119 (B)(1) provides that no member of the immediate family of a member of a governing authority shall be employed by the governmental entity.

Recommendation: Management should consult with legal counsel and the Louisiana Board of Ethics about the legality of this employment arrangement. We remind management that the Code of Governmental Ethics provides for penalties and disciplinary action for willful violations of the nepotism provision.

## APPENDIX A

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### Management's Response



# TOWN OF RICHWOOD

*"An Equal Opportunity Service Provider and Employer"*

*Alvin Jackson, Mayor*

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2710 Martin Luther King Drive - Richwood Louisiana 71202-7004 - Phone: (318) 325-4328 - Fax: (318) 322-0584

September 23, 2012

Louisiana Legislative Auditor  
Mr. Daryl G. Purpera  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

**RE: TOWN OF RICHWOOD'S ADVISORY AUDIT**

Dear Mr. Purpera:

The Town of Richwood has already begun the necessary steps to improve our day to day operations.

**POLICY AND PROCEDURES**

We are currently in the process of updating our policy and procedure manual.

**LACK OF FINANCIAL MANAGEMENT**

On September 11, 2012, we hired Ms. Marie Sims as a part-time Accounting Consultant to train and assist the Fiscal Officer. Ms. Sims will make sure all necessary accounting procedures, files, and documentation are done adequately and properly. She will also establish a mandatory internal accounting system. She will monitor the postings of daily transactions (Accounts Received and Accounts Payable), prepare bank reconciliations, and assist with takes relating to the affairs of the Accounting Department.

**COMPLIANCE AND CONTROL OVER PURCHASING AND DISBURSEMENTS**

We have made the necessary changes in the purchasing procedures. The Fiscal Officer no longer orders and cross checks the order. Once the items are delivered, it is now being crossed checked by the Town Clerk or the Clerk of Court.

The Fiscal Officer is now preparing a report on all bills that need to be paid during an allotted pay period. Once the Mayor approves this report the bills are paid accordingly with the Mayor's signature on all checks. We have also placed all checks in a secured and locked cabinet.



### **COMPLIANCE AND CONTROLS OVER PAYROLL**

Procedures have been put into place where all timecards must be signed by supervisor and employee before payroll can be processed. No timesheet will be accepted without completed and properly filled out leave slips attached. We have also updated all personnel files and they are now centrally located and locked in the Fiscal Officer's office.

Since the new administration has been in place all pay rate increases have been reviewed and approved by the Supervisor of employee to receive increase and the Mayor.

The town has contacted the appropriate person and asked her for the pre-requisites for enrolling Richwood's Police Department into the Municipal Police Employees Retirement System. Subsequently, the Chief of Police will be authorized to make sure that each police officer has the opportunity and option of joining the said retirement system and the same shall be verified through documentation.

### **COMPLIANCE AND CONTROLS OVER TRAFFIC TICKETS**

The Town Clerk has performed adequate audits of paid traffic tickets and ticket books that have been turned in by the police officers. We are also making sure all ticket books are allotted for and the officer assigned individual books are now returning them upon completion. Once the books are returned that officer and the officer manager are now signing them with the date it was returned. If there is an unused ticket in the returned book the officer must make a report as to why that particular ticket was not used.

### **CONTROLS OVER COLLECTIONS AND DEPOSITS**

The rental of the Multi Purpose Building is being done under contract with the agreed upon rental fees. No event is being held without a contract and the proper fees paid.

We have recently signed a Cooperative Endeavor agreement with the Ouachita Parish Tax Assessor's Office to collect property taxes for the Town of Richwood.

With the hiring of Ms. Sims all back accounts are now being reconciled in a timely manner.

### **COLLECTION OF VIDEO BINGO PERCENTAGE FEES**

We have sent a letter to the Attorney General's Office asking for a legal opinion on the collection of these fees; the case has been assigned to Attorney Michael Tyler.

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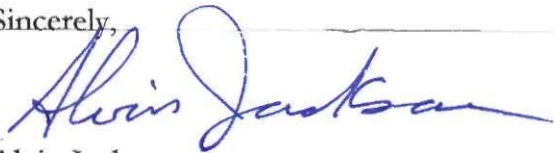
**Town of Richwood**

**NEPOTISM PROVISION**

We have sent a letter to the Louisiana Board of Ethics and the town's attorney asking for their legal opinion on this matter. The hearing on this is scheduled for November 1, 2012.

Although we have not made all of the necessary changes please know that we are doing and will do whatever it takes to improve the day to day operations of our town. If you have any questions or need any additional information, please contact me at (318) 325-4328.

Sincerely,

A handwritten signature in blue ink that reads "Alvin Jackson". The signature is fluid and cursive, with a large initial "A" and a long, sweeping underline.

Alvin Jackson

Mayor, Town of Richwood

AJ/cj